



Ariba's 15-Year Journey into the B2B Commerce Cloud

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Founded in late 1996 in Sunnyvale, California (US), **Ariba** is today the leading provider of collaborative business commerce solutions for buying and selling goods and services. The company's mission is to transform the way companies of all sizes, industries, and geographies buy and sell goods and services and manage cash. By delivering electronic-commerce software, services, and network solutions, Ariba enables companies to control costs, minimize risk, improve profits, and enhance cash flow and operations. More than 4.5 million paying subscribers at 371,000 companies (not counting **Ariba Discovery**), including more than 80 percent of the companies on the Fortune 500 list published in April 2010, use Ariba solutions to manage their commerce activities.

But Ariba's journey hasn't exactly been a cakewalk.

The first wave of productivity-driven technology focused on making employees more effective in their daily jobs by simplifying key tasks such as developing documents, presentations, and spreadsheets and communicating with other team members. This was the dawn of the desktop operating system.

The second wave leveraged Web-based technologies to drive greater productivity within particular functional areas within an enterprise, such as procurement and human resources (HR). And with it came the advent of enterprise operating systems, also known as enterprise resource planning (ERP) systems. This is the wave that Ariba rode in on, with the idea of streamlining the procurement process and taking costs out of the supply chain.

The company introduced its initial product, **Ariba Buyer**, in June 1997, and began to operate the **Ariba Supplier Network (ASN)** in April 1999. Ariba has continued to provide enhancements to its products on an ongoing basis, whereby ASN has recently been named into the **Ariba Network** (a network for all trading partners, not only suppliers).

But at least two factors caused the vendor to have a near-death experience around the time the dot-com bubble burst in the early 2000s. One was the vendor's own mismanagement of its exorbitant expenses (or investments, if you will, such as the **Tradex** acquisition in 1999) to support its "if we build, they will come" attitude at the time. The other factor was the then absence of rich and interactive Web tools, which have promoted today's usability and acceptance of multi-tenant public cloud applications. Thus, customers were not ready to jump en masse onto Ariba's inflexible single-tenant network behind the firewall (i.e., with highly customized individual product instances for each customer). Needless to say, it was prohibitively expensive for Ariba to maintain that network and its accompanying software solutions, and meet the needs of each customer with its hosted and on-premise software (historically, Ariba's software was primarily provided as installed applications that were deployed behind a customer's firewall).

Ariba's investment in research and development (R&D) has always been strong, but it now has the revenue to support it. The current R&D organization is divided into teams focused on its various collaborative business commerce solutions, as well as on the Ariba Network, along with server and infrastructure development, user interface (UI) and Internet application design, tools development, enterprise integration, operations, quality assurance (QA), documentation, release management, and advanced development. These teams regularly share resources and collaborate on code development, quality assurance, and documentation. Out of its fiscal 2010 revenues of US\$361 million, Ariba's R&D expenses were a hefty US\$46 million.

Ariba's Comeback

One way Ariba has been finding its groove is by expanding its value proposition beyond supplier enablement and e-procurement of so-called *indirect materials spend* (for materials that do not enter the manufacturing process). Since the early 2000s, Ariba has released several new products and product enhancements to address the needs of sourcing, procurement (of both direct and indirect materials), finance, accounts payable (AP), treasury, legal, and sales and marketing professionals.

In addition, Ariba has acquired a number of companies over the years, most notably **FreeMarkets** in 2004, which provided deep solutions and services around sourcing, and **Procuri** in 2007, a leader in on-demand contract management software. The company introduced **Ariba Sourcing** in September 2001, and upgraded the solution in September 2004 to incorporate functionality from the aforementioned legacy FreeMarkets applications.

The most recent acquisition in January of 2011 was **Quadrem**, which added approximately 70,000 suppliers in 65 countries and large buyer customers to the Ariba Network. Quadrem had a strong presence within natural resources, oil and gas, and manufacturing companies, as well as in key emerging markets in the Southern Hemisphere. This has brought the Ariba Network total to over 500,000 trading partners in the world's largest business marketplace.

In this slew of acquisitions there was one notable divestiture: Ariba's category sourcing and business process outsourcing (BPO) expert team and know-how to **Accenture** in late 2010 ([previously discussed](#)).

Embracing the Cloud

An important decision occurred around 2006: to move to a multi-tenant, software-as-a-service (SaaS) model. Ariba has since been re-architecting its applications to be more easily deployed via an on-demand model, whereby applications are hosted by Ariba or a third party and customers can access the solution via the Internet. During fiscal years 2006 through 2010, the vendor released on-demand versions of all of its software applications. If Ariba is unable to develop new products or enhancements or corrections to existing products on a timely and cost-effective basis, particularly on-demand versions of its products, or if these new products or enhancements do not have the features or quality measures to make them successful in the marketplace, its business will be harmed.

The transition to SaaS products has not been easy for any vendor, and many software companies have experienced (and may continue to experience) a deferral of revenues and cash payments from on-demand customers (as opposed to traditional up-front payments from perpetual license customers). As a result of increased demands on their R&D organizations to develop multi-tenant versions of products while supporting and enhancing existing on-premise products, SaaS-aspiring vendors may not introduce multi-tenant versions of their products or enhancements to their products on a timely and cost-effective basis or at appropriate quality levels. Additional risks with the on-demand model include the following:

- A decrease in the demand for vendors' implementation services to the extent that fewer customers license their software products as installed applications
- A decrease in the demand for vendors' maintenance services, which is related to on-premise business, as many new customers are purchasing on-demand products and a small number of legacy customers are converting to on-demand products

But while knowing that it would be a painful transition in the short term, SaaS (or the public cloud) was the future of computing. Transition wasn't just a matter of cost, but also the challenge of changing business processes, mindsets, revenue recognition, etc. And in fact, Ariba has announced an increase in the frequency of its new SaaS product releases, to every 3-4 months.

The support for Ariba's bold bet on cloud services is a recent report, "Forecast: Public Cloud Services, Worldwide and Regions, Industry Sectors, 2009–2014," in which **Gartner** projected a five-year growth rate of 20.5 percent for the worldwide market for cloud services, to become a US\$148.8 billion market by 2014. Further, Gartner noted that over the course of the next five years, enterprises are projected to spend \$112 billion cumulatively on SaaS, platform-as-a-service (PaaS), and infrastructure-as-a-service (IaaS) solutions combined. Gartner also noted that it is seeing an acceleration of adoption of cloud computing and cloud services among enterprises and a rapid growth of supply-side activity as technology providers maneuver to exploit the growing commercial opportunity.

The (Costly) Business Commerce Problem

The current productivity technology wave is attacking the inefficiencies that remain between companies to enable more effective collaboration among trading partners. During its recent customer and industry event, Ariba called out some damning facts, such as that within the **Forbes Global 2000** elite group of companies, the average company has approximately 134,500 trading partners. Yet these companies still conduct roughly 80 percent of their transactions manually (according to **Celent Communications**) and fail to leverage anything but paper-based invoices for 85 percent of their account payables environment (according to **Aite Group's** 2009 report entitled "Global Cash Management: Going Green").

Moreover, companies lose obscene amounts of money (billions of dollars a year) in this trading context due to the "cost of lost sales due to ineffective collaboration." **Basex Research's** 2008 report cites that [information overload costs](#) the US economy a minimum of US\$900 billion per year in lowered employee productivity and reduced innovation. Despite its heft, this is a fairly conservative number and reflects the loss of 25 percent of the knowledge worker's day to the problem. The total could be as high as US\$1 trillion. For its part, **Ariba Benchmarking** estimates that inefficient commerce collaboration is costing Global 2000 US\$338 Billion.

These challenges and inefficiencies pervade the entire enterprise and all business roles (as shown on Figure 1). While finance departments care about how to optimize cash flow and productivity (and how the company can become more agile), procurement departments focus on maximizing spend visibility and control, and on finding the risks in the supply chain (and what can be done about them). Needless to say, sales and marketing folks want to know where they can find new business and how they can retain and expand existing customers, while concurrently lowering their cost of sales. Finally, information technology (IT) managers yearn for ever-lower total cost of ownership (TCO) as well as for simplified trading partner integration and business support.

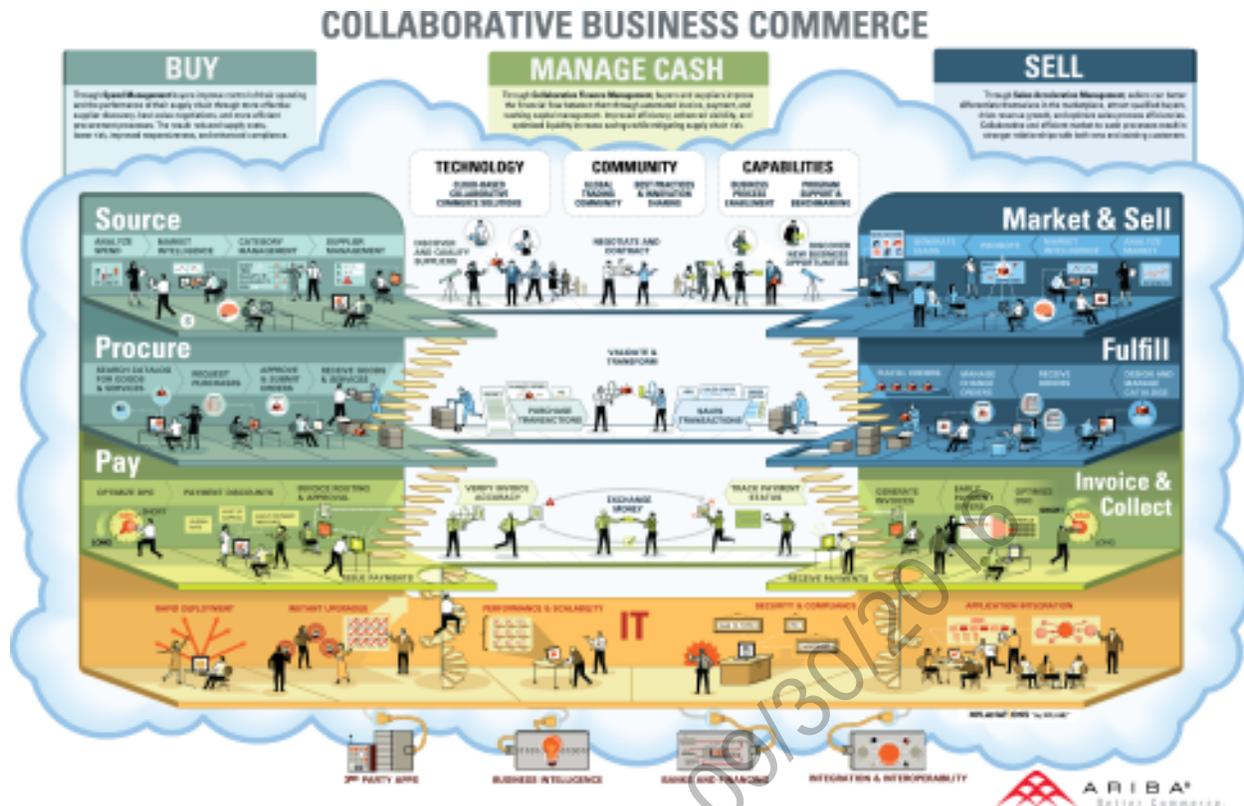


Figure 1. Collaborative Business Commerce

Ariba believes that this latest technology wave will be fueled by cloud-based platforms that allow businesses to share common business processes in areas such as product development and commerce—Ariba was attempting cloud computing well before there was a recognized *cloud computing* paradigm per se. Thus, Ariba's current software is built to leverage the Internet and provide enterprises with real-time access to their business data and their business partners. Its collaborative commerce solutions are delivered in a flexible manner, depending upon the needs and preferences of the customer.

In addition, Ariba has further evolved as a spend management solution provider, aiming to make business commerce as easy as consumer purchasing. In other words, think of translating the **Amazon** or **eBay** shopping experience into an everyday business-to-business (B2B) work environment. Like Amazon and eBay, the **Ariba Commerce Cloud** goes beyond the buyer, embracing suppliers and other types of trading partners, who should also see significant benefits from the Ariba Commerce Cloud. The touted benefits include increased revenues in addition to process efficiencies. In fact, new suppliers to the Ariba Network are reportedly seeing a 20 to 30 percent year-over-year sales growth as a result of their participation. Both buyers and sellers can also manage their cash (working capital) better through the Ariba Commerce Cloud.

Ariba's Portfolio of Collaborative Business Commerce Solutions

Ariba solutions address the three areas of collaborative business commerce: Buy, Sell, and Manage Cash. Each area has different stakeholders, albeit with some overlap. Within each category there is a solution suite. These solutions allow enterprises to take a step-by-step approach to managing business commerce with products and services that work together to address key activities. So for chief purchase officers (CPOs) and chief financial officers (CFOs) who are interested in increasing management of corporate spend, Ariba covers the complete source-to-settle process.

At the core of the solution suite for *buyers* is the **Ariba Spend Analysis Solution**, which combines a vast knowledge classification base with analytic technologies and an integrated database of more than 150 million suppliers to enable rich and accurate classification and data enrichment of spend across all categories, systems, and divisions. Ariba Spend Analysis Solution offers an integrated business commerce dashboard for a 360-degree view of all purchasing activity and data. The solution incorporates the **Ariba Analysis** reporting engine with comprehensive data enrichment, providing deep and ongoing visibility into both internal purchasing as well as external supply and sourcing market dynamics. Ariba's Spend Analysis Solution delivers an improved view of spend that benefits buyers in the following critical areas:

- Commodity classifications—**Ariba Data Enrichment** leverages a range of advanced classification technologies to ensure spend is consistently classified over time and across data sources so that decisions can be made with confidence. Forecast information can be loaded and tracked across other Ariba modules for a comprehensive view of purchasing.
- Supplier enrichment—With additional information about their supply base, buyers are able to minimize purchasing risks,

decrease costs, and meet other targets.

- Sourcing market visibility—With additional information about commodity price fluctuations, buyers are able to compare these fluctuations with their own historical trends and better evaluate their commodity procurement programs. Peer spend profiles through an opt-in program permit buyers to compare their spend profiles to others in their industry.

For their part, **Ariba Sourcing Solutions** cover the spectrum of sourcing activities, from the development of a strategic approach to capture savings, to the sourcing and award negotiation phase, and finally to monitoring of supplier performance. Ariba Sourcing Solutions include the following two editions:

- **Ariba Sourcing** module is an enterprise-wide strategic sourcing application designed for all spend categories. It assists professional buyers throughout the sourcing process, from defining spending baselines and category requirements, to finding suppliers and negotiating agreements. Ariba Sourcing helps speed up and streamline the request for something (RFx) process, dynamic events, auctions, and award negotiations management. The module also helps enterprises define, measure, and enhance the performance of their suppliers. Buyers use it to gather and monitor supplier performance data through surveys, compare suppliers across a category for better sourcing and procurement decisions, collaborate throughout the sourcing process, and provide visibility of supplier performance with key performance indicator (KPI) trend analysis and scorecards. It is also connected through a click of the mouse to Ariba Discovery to find and collaborate with potential new suppliers.
- **Ariba StartSourcing** module gives small and medium businesses (SMBs) access to enterprise-class technology they can use to structure and execute sourcing events online that deliver measurable results without a substantial commitment of time or resources.

The **Ariba Contract Management Solution** covers the gamut of a contract's lifecycle, from the contract request, through contract authoring, workflows to address the contracting process, negotiation, and approval, to contract execution via electronic signatures (see my previous article on [the importance of contract management](#)). In addition, the solution includes ongoing compliance and performance management through task-driven reminders and search and reporting capabilities as well as contract renewal activities.

The **Ariba Procurement and Expense Solutions** allow customers to manage the procurement process from requisition, through ordering, receiving, invoice reconciliation, and payment. The following solutions are designed to facilitate the procurement process for complex categories of spend, including travel:

- **Ariba Procure-to-Pay** is a Web-based procurement solution that addresses catalog-based indirect spend, and when combined with Ariba Services Procurement users can also purchase complex non-purchase order spend for services (invoice against contracts such as for snow removal). It allows customers to control the procurement process from requisition, through ordering, receiving and invoice reconciliation for payment via purchasing cards and other prepayment vehicles. Customers can also use the module to manage their travel and expense (T&E) spend processes.
- The aforementioned "mother" Ariba P2P module enables organizations to manage purchasing transactions for any goods or service (when combined with Ariba Services Procurement). It links end users throughout an organization with approvers, and connects to back-end financial, purchasing, and HR systems to access important procurement information, such as supplier product information, price lists, Web sites, and order status. Ariba P2P helps enforce purchasing compliance against corporate policies and contracts, and measure progress. The module leverages the aforementioned Ariba Network (described below) to securely automate commerce transactions with suppliers on the Internet.
- **Ariba Services Procurement** enables customers to better manage complex categories of spend, such as catalog, travel, third-party, time-based and project-based purchases, including but not limited to facilities management, IT and management consulting, temporary labor, and print services.
- **Ariba Travel and Expense** module helps enterprises to manage the procurement of corporate travel and expenses. The application automates the manual processes required for travel purchases to increase expense policy compliance, decrease administrative costs, and helps reduce travel approval and expense reimbursement cycle times.
- **Ariba Procure-to-Order** enables companies to maximize the efficiency of their front-end procurement process while integrating with current systems for payment and receipt to deliver immediate value across their organization. The module ensures control and compliance between vendors, contracts, regulations, and buyers.
- **Ariba Procurement Content** module delivers Ariba's catalog, product search, supplier enablement, contract compliance, and category procurement solutions as a complementary add-on to procurement modules within ERP systems such as those provided by Oracle and SAP all in an interface that is casual-user friendly. This combination enables companies of all sizes to extend the value of investments already made and enjoy some of the benefits created by Ariba's business commerce solutions.

Ariba Supplier Information Management Solution enables companies to identify and assess new sources of supply, on-board approved suppliers, and gain a 360-degree view of supplier information performance and risk. With Ariba's supplier management services and expertise, companies can access best practices and templates to ensure proper supplier selection, measurement, and compliance management. For its part, **Ariba Supplier Performance Management Solution** enables companies to define, measure aggregate, and act upon performance metrics of their supply base, including the ability to bring together qualitative and quantitative information and to collaborate with suppliers throughout the process (see my previous article on [the importance of supplier management](#)). **Ariba Discovery for Buyers** allows buyers around the world to discover, connect, and collaborate through the Ariba Network.

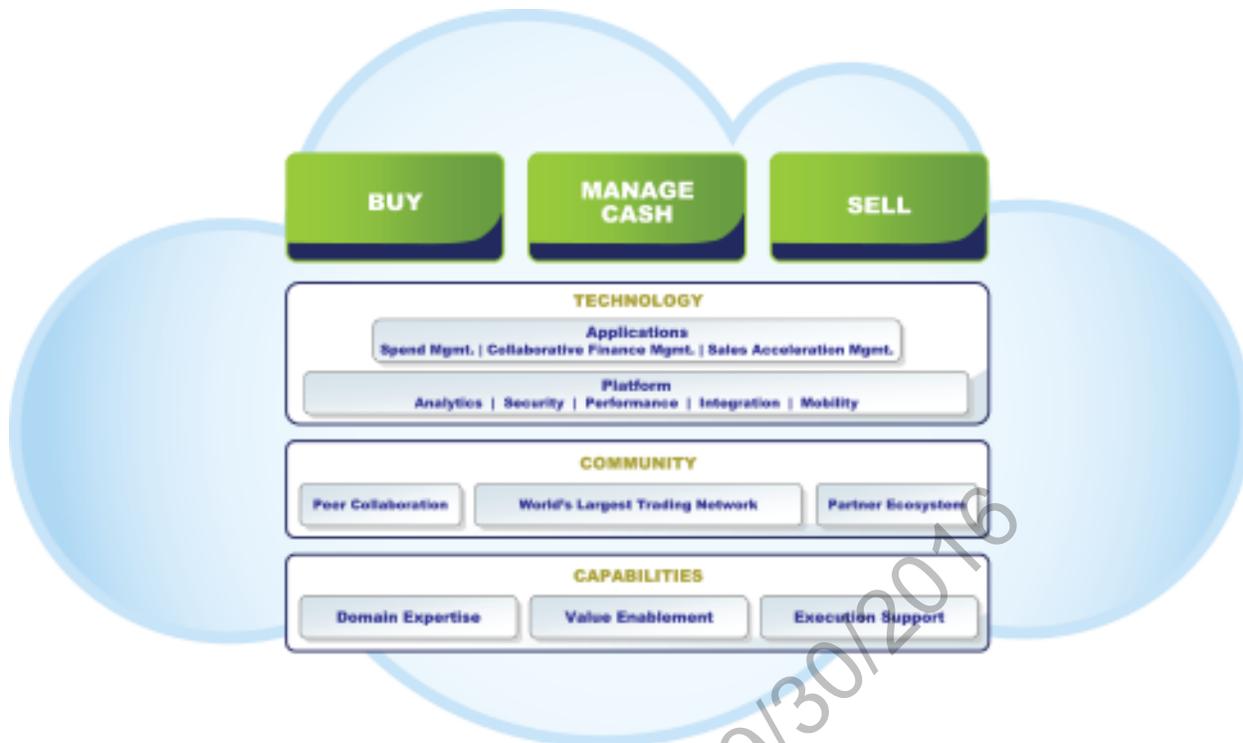


Figure 2. Ariba Commerce Cloud

In summary, Ariba's offerings aim to simplify business commerce by providing companies with the tools needed to manage the commerce lifecycle through a single, Web-based interface. Delivered on-demand through the Ariba Commerce Cloud (see Figure 2), the solutions were designed to be easy to use, cost effective, and quick to deploy and integrate with existing ERP and other software systems, enabling companies to deliver rapid and sustainable results.

Ariba's Solutions beyond Buying

Given Ariba's procurement origins, it is no wonder that its solution set for buyers is the most comprehensive and mature. Recently, however, Ariba has delivered a number of solutions for *sellers*, starting with the **Ariba Contract Management for Sales Contracts Solution**. The solution covers the spectrum of a contract's lifecycle, including contract request, contract authoring, workflow to address the contracting process, negotiation and approval, and contract execution via electronic signatures. In addition, like its buy-side counterpart, the sales contracts solution also includes all ongoing compliance and performance management through task-driven reminders and search and reporting capabilities as well as contract renewal activities.

For its part, the **Ariba Supplier Sales and Marketing Program** pre-packages networking, marketing, and consulting expertise to help companies grow their online commerce business faster and more efficiently. The **Ariba Network Catalog, Order and Invoice Collaboration** solution allows end-to-end collaboration on order fulfillment, including orders, change orders, confirmations, cancellations, and advance shipping notices (ASNs). And **Ariba Discovery for Sellers** allows sellers around the world to discover, connect, and collaborate through the Ariba Network.

Ariba's solutions for *managing cash* start with the **Ariba Working Capital Management Solutions** to provide suppliers with the visibility and control over their receivables (to better manage their cash flow). Comprehensive discount management features automate the process of offering, negotiating, and agreeing on early payment terms with suppliers, and include managing suppliers and related spend for discounting, invoice automation to capture pre-negotiated early payment terms and contracts, and prorated discount terms.

Moreover, **Ariba Supply Chain Finance** solution provides third-party financing to key suppliers to improve their cash flow while supporting cash management and working capital objectives, while **Ariba Invoice Management Solution** automates supplier onboarding and interactions for suppliers, provides suppliers with full visibility into invoice status and cash forecasting, and supports paperless operations for value added tax (VAT) compliance for global commerce. Last but not least, the **Ariba Payment Management Solution** allows back-office systems to transmit payments to suppliers via Automated Clearing House (ACH) with detailed remittance information.

Much More than Software

Ariba understands that software is only one part of helping companies achieve success. While previously Ariba could have been

regarded as a “software provider with an accompanying network,” today’s Ariba is primarily a “trading network company with accompanying software solutions.” As such, the vendor combines SaaS technology with an extensive Web-based community and a global network of trading partners. This combination optimizes the complete commerce lifecycle, enabling companies to discover, connect, and collaborate with each other, while also helping companies control costs, minimize risk, improve profits, and enhance cash flow and operations.

Ariba’s collaborative business commerce solutions also integrate with and leverage the previously mentioned Ariba Network. The Ariba Network is a scalable Internet infrastructure that connects buyers and sellers, enabling the exchange of product and service information as well as a broad range of business documents, such as purchase orders and invoices. Not counting the acquisition of Quadrem, over 330,000 registered suppliers offering a wide array of goods and services are connected to the Ariba Network. As a result, buying organizations can connect once to the network and simultaneously access many suppliers. By using the Ariba Network, businesses can realize cost savings through greater process efficiencies, better employee and contract compliance, reduced inventories, and fair pricing opportunities.

The Ariba Network is a multi-protocol network that allows buyers to send orders from Ariba Buyer (or other eProcurement systems) in one standard format that are then converted into the supplier’s preferred transaction format. Supported formats include the following:

- cXML (commerce eXtensible markup language), a format used on the Internet to describe commerce data and documents
- EDI (electronic data interchange), a format used to electronically exchange data and documents
- CIF (Catalog Interchange Format), a format commonly used to electronically transfer catalog information, electronic mail, and fax

In addition, by using **Ariba PunchOut**, a cXML-based technology, buyers can link directly to a supplier’s Web site to find, configure, and select products while keeping the purchasing process within Ariba Buyer or Ariba Procure-to-Pay for internal approval, accounting, and administrative controls. This feature is particularly useful when working with suppliers that have extensive Web sites, product configuration or quote-to-order (Q2O) systems, and large product catalogs.

Frequently, suppliers join the Ariba Network at the request of buyers who purchase goods and services using Ariba Business Commerce solutions. To help buyers attract and rapidly enable their target suppliers, Ariba has created **Ariba Supplier Enablement** solutions, which provide a broad range of products and services to enable suppliers of various sizes in all industries to join the Ariba Network. Ariba Supplier Enablement solutions include tools for content management, order management, order fulfillment, invoicing, and payment that help suppliers manage business transactions and content simply through a Web browser or by using other electronic methods (including XML and EDI). See my recent article for [a similar value proposition in the retail sector](#), from **SPS Commerce**.

Ariba has also created other supplier programs, including **Ariba Ready** and **Ariba Supplier Consulting**, to help suppliers develop, deploy, and promote their capabilities on the Ariba Network. Access to the network is provided in one of the following two ways:

1. Through a direct access license to the Ariba Network itself, whereby suppliers joining the network must agree to standard Web-based terms of use with Ariba, and link to the network through any of several available formats (e.g., cXML, e-mail, EDI, or fax)
2. Through buying organizations as part of their purchase of procurement software, although suppliers that exceed certain transaction volumes are charged a fee for access to the network. In addition, suppliers are charged fees for optional solutions such as data retention and technical support services

Professional Services to Boot

Additionally, Ariba offers expert capabilities to augment its customers’ internal resources and skills to ensure that companies maximize the value of Ariba’s solutions. The company’s services are focused on delivering sustainable, company-wide capability and rapid results, and include:

- Ariba Strategic Consulting—enables strategic decision making, organization assessment, process design, and performance improvement
- Ariba Implementation Services—executes installation and set-up of software
- Ariba Supplier Enablement Services—helps to ensure that buyers and suppliers transact in a cost-effective, scalable manner
- Ariba Customer Support Services—supports customers’ direct usage of software (training and product support)

Ariba has over 700 global consultants that assist customers in devising, launching, and sustaining successful collaborative business commerce programs. These experts are stationed around the globe, including in Ariba’s service centers in Prague (Czech Republic), Bangalore (India), and Pittsburgh (US). They are trained in Ariba’s **Business Commerce Enablement** methodology, which includes initial program planning, system deployment, user training, trading partner enablement, program and change management, and ongoing adoption and continuous improvement services, including ongoing expertise and support as a remote, on-demand service via Ariba’s Best Practice Center (BPC).

Being Truly International

Ariba sells its software and provides services and expertise worldwide. The company operates in the following four geographic operating segments: North America; Latin America; Europe, Middle East and Africa (EMEA); and Asia-Pacific (APAC). This geographic coverage allows it to draw on business, technical, and sourcing expertise from a worldwide workforce, which provides stability to its operations and revenue streams to leverage geography-specific economic trends. Ariba's revenues from its international operations have been about one-third of its total revenues.

With approximately 1,800 employees, Ariba has seven locations in the US including its Headquarters in Sunnyvale, CA. In addition, the company has wholly owned subsidiaries in Spain, Italy, France, the United Kingdom (UK), Sweden, the Netherlands, Germany, Belgium, the Czech Republic, Slovakia, Switzerland, India, Japan, China, Hong Kong, Singapore, Malaysia, and Australia. All solutions are available in English, French, German, Spanish, Italian, Dutch, Brazilian Portuguese, Swedish, Danish, Norwegian, and Chinese, with most products also available in Korean, Russian, and Japanese.

Competitive Landscape

Ariba is not the only player in the market, by any stretch of imagination. The market for business commerce applications is highly competitive, rapidly evolving, fragmented, and subject to changing technology and shifting customer needs. Ariba's principal direct competition comes from ERP vendors and from specialty vendors that offer their software on a hosted basis or under a perpetual license. In its services business, the vendor competes with several large and regional service providers.

In addition to **Emptoris**, which has an equivalent suite of strategic supply, category spend, and enterprise contract management solutions (see TEC's review for more [information on Emptoris](#)), and **PROACTIS**, which has a similar procurement, supplier network, and spend management value proposition primarily in the UK (see TEC's analysis for more [information on PROACTIS](#)), Ariba's competitors can be classified as follows:

- ERP vendors, including **SAP, Oracle, Infor, and Epicor** (see TEC's [review of Epicor SRM](#))
- Smaller specialty vendors, including **BravoSolution, Zycus, Basware, Upside Software, Spend Radar, Rosslyn Analytics, iMany, and American Express S2S**
- Smaller niche SaaS vendors, including **Perfect Commerce, Hubwoo, Katera Technologies, Selectica, Coupa, and lasta**
- Service providers, including **A.T. Kearney and McKinsey & Company**

The competitive standing of Ariba's solutions is helped by their interoperability with existing commonly used ERP systems, widespread user adoption, and referenceable customers—and because Ariba provides a network for buying and selling services. However, many of its competitors, especially ERP software vendors, have longer operating histories, greater name recognition, larger marketing budgets, significantly greater resources, and a larger installed base of customers. Many of these vendors could easily bundle their business commerce solutions into their broader enterprise application solutions at little or no cost to their customers. In the past, Ariba has reportedly lost potential customers to competitors for reasons including lower prices and other incentives that Ariba could (or would) not match.

Because business commerce is a relatively new software and solutions category, we expect additional competition from other established and emerging companies as this market continues to develop and expand. For example, third parties that currently help implement Ariba Procurement solutions and other products could begin to market products and services that compete with Ariba's products and services. These third parties, which include **IBM, Accenture, Capgemini, Deloitte Consulting, BearingPoint, and Unisys**, are generally not subject to confidentiality or non-competition agreements that restrict these actions.

Ariba's Solution Expert Stakes a Position

What follows is an in-depth, enlightening, and candid conversation with Dan Ashton, Senior Manager of Solutions Marketing for Commerce Cloud Solutions. Mr. Ashton joined Ariba in 2008 and was initially responsible for Services Procurement and Content. Mr. Ashton has over a decade of sales and marketing experience in enterprise software, most recently from iMany, where he was Senior Director of Solutions Marketing. Prior to iMany, Mr. Ashton was Sr. Director of Product Marketing with **Nextance** and Vice President of Product Marketing with **Niku** now a part of CA. He was also a director on the marketing team at **Chemdex/Ventro**, the first B2B market exchange to go public in 1999.



TEC: *Can you single out any particular capabilities that you provide (and which no one else does) to address particular pain points?*

DA: The market is buzzing about "the cloud," and for most companies it simply means software, platforms, or infrastructure delivered over the Internet. At Ariba we believe that there is significantly more to cloud commerce. In addition to the technology, there is community and collaboration. Companies traditionally have been internally focused on systems within their four walls. We've built a network that brings the walls down, bringing buyers and sellers together to collaborate and interact with each other.

TEC: *Describe your sweet-spot customer.*

DA: In the past, our buyer customer base would focus on the Global 1000, i.e., primarily large enterprise clients who could see the value and return on investment (ROI) around on-premise global implementations of our software. But SaaS and the cloud have changed all that. Many more mid-tier clients are now able to take advantage of the numerous benefits of Ariba Commerce Cloud Solutions, especially those clients with limited IT resources. Plus, they see the benefits more quickly, with lower costs. Recently Ariba introduced StartSourcing and StartContracts. These entry point solutions enable companies of virtually any size to better manage their spend.

On the sell side, suppliers of all types and sizes benefit from increased sales and efficiencies. For example, **Markmaster**, a rubber stamp manufacturer, has seen a 20 percent increase in sales year over year since 2000, when it joined the Ariba Network—65 percent of all its new sales are directly attributable to the Ariba Commerce Cloud.

TEC: *How do you view your competitive landscape—why does Ariba win over or lose to its competitors?*

DA: When deciding on business commerce solutions, there are three choices:

1. Trying to force the ERP system to manage internally complex processes and collaboration outside of the business's four walls—neither of which it was designed for
2. Cobbling together a collection of solutions that individually may perform well for their purpose but which do not seamlessly integrate, inhibiting collaboration and process efficiencies
3. Adopting a holistic vision towards commerce for Buy, Sell, and Manage Cash applications

When a customer is looking at the big picture and mapping out a holistic commerce strategy, the choice for the Ariba Commerce Cloud is clear. That translates into a vision for external and internal collaboration, “consumerized” usability and adoption, as well interoperability between disparate systems.

TEC: *What is the bread-winning product and door-opener for Ariba?*

DA: We are having tremendous success with all our solutions. At the heart of our business is the Ariba Network, which is the hub that connects buyers and sellers to most of our solutions. Ariba Procure-to-Pay has really taken off along with Contract Management. Our financial solutions, which help buyers and sellers manage their cash better, have also experienced a huge boost. As for a door opener, StartContracts and StartSourcing serve as entry products for smaller clients and departmental initiatives.

TEC: *How extensive is the Ariba Network, and what is the pricing model for suppliers and buyers?*

DA: Among the over 500,000 Ariba Network participants, there are more than 1,000 buying organizations plus suppliers and other trading partners. Through the Ariba Network, companies transact over \$US180 billion per year. It has been called the “Amazon for Business.” The majority of suppliers pay no fees, and others participate on a sliding scale proportionate to the value they receive. Buyer pricing is typically based on the spend managed through the cloud and so also is connected to the value recognized by the organization.

Keeping Abreast of Technology Trends

TEC: *What is your strategy towards social (Web 2.0 and Enterprise 2.0) tools and role-based user experience (UX), and their deployment for your target customers?*

DA: Social business collaboration is a critical focus at Ariba. You can go online and track your friends in a matter of seconds because sites like **Facebook** and **Twitter** put everything you need to do it at your fingertips. We do the same thing at Ariba. In fact, **Fox Business News** recently labeled us “Facebook for business.” Within the Ariba Network, we offer a service called Ariba Discovery that instantly matches buyer requirements with seller capabilities to help buyers find the right trading partners and to help sellers land qualified new business. This is accessible to anyone, buyer or seller, whether they belong to the Network or not.

We also operate the **Ariba Exchange**, an online community much like **LinkedIn**, where professionals can go to find out what's happening in global supply markets, and look for new trading partners—see who else they've done business with and how they perform—or make sure they're employing best practices for managing cash. And we leverage tools like Twitter to interact with and, ultimately, better serve our customers. To do this, customers need a new breed of social media-like solutions that allow them to be:

1. connected to networks that facilitate collaboration around key commerce processes like procurement and finance;
2. efficient, by automating tactical, transactional work, such as invoicing and payment, to drive greater efficiency and productivity; and
3. informed, by participating in communities that deliver market insights and best practices to fuel optimal performance and decisions.

Ariba's solutions help companies to achieve all these qualities and are fueling a new breed of commerce—“social commerce,” if you will. A recent study showed that social media applications have eclipsed e-mail as the most commonly used tools in business communication. That's not going to change. We will continue to lead the way into this new frontier and develop solutions that leverage social media features to consumerize—and ultimately simplify—business commerce.

TEC: *What percentage of your customers are SaaS or on-demand? Is that a factor yet in selections?*

DA: Nearly all our new customers over the past two years are SaaS. The benefits are quite clear to customers. In fact even those with behind-the-firewall ERP systems from SAP, Oracle, and others have enhanced their existing systems with Ariba Cloud Applications to unlock the value of these legacy systems. Of course, we continue to support our on-premise (behind the firewall) customers, and have created a business unit solely devoted to their requirements.

TEC: *What is your mobility strategy (technology and platforms supported)?*

DA: Ariba sees mobility as critical in the future of cloud computing. We are currently evaluating a prioritized list of mobile browsers to certify. In the long term, we will identify use cases and devices in order to develop market-driven mobile applications.

TEC: *How do you respond to some claims that your “one size fits all” Commerce Cloud might not be the best approach for some*

customers with complex category requirements? What is the viable option for them if they insist on remaining on-premise or in a private cloud?

DA: The Ariba Commerce Cloud is far from a "one size fits all." Customers can implement configurable solutions to meet their exact requirements. Seamless integration delivers synergy among best-of-breed Ariba solutions that cannot be rivaled. This includes extending the value of existing ERP systems by supplementing their functionality in areas such as Ariba Network Connectivity and Catalog Management. Customers are choosing the Commerce Cloud because of the significant benefits and functionality it offers. Ariba is also dedicated to our on-premise and private cloud implementations for those customers that require major customization.

TEC: *Which of your modules do you see as best positioned for on-demand use, versus those that might still be asked for on-premise?*

DA: All of our solutions are available on-demand, and in most cases it's preferable they be implemented that way. The advantages of faster deployment, automatic upgrades, and lower TCO are strong buying factors. Of primary concern for on-premise implementations is the degree of customization needed to meet a client's unique requirements. As customers become educated and SaaS solutions become more configurable, the need for on-premise is greatly reduced.

TEC: *What is your approach to master data management (MDM) and extract, load, transform (ETL), which are important in spend analysis, contract analysis, etc.?*

DA: In terms of MDM, Ariba's strategic approach is to "enrich" versus "cleanse" our customers' data. This means we do not attempt to alter or update our customer's data, but instead, we add data fields that provide improved visibility. The primary reasons we've taken this approach is that, in our estimation, MDM is costly, difficult to maintain, and provides minimal incremental benefit over our approach.

An excellent example of our approach is how we enrich the vendor master for Ariba Spend Visibility customers. Instead of attempting to cleanse the customer's data master, Ariba appends the vendor record with a number of field attributes to include parent organization, domestic parent, annual revenues, employee count, diversity and green flags, and risk ratings and scores. In this way, the vendor master remains unaltered and intact, but various additional attributes are available for improved visibility into the customer's supply base.

Ariba does not leverage any ETL tools per se. Our approach to data loads consist of various, interrelated flat .csv (comma separated values) files that are uploaded on the customer's on-demand instance, validated, and loaded. This process can also be automated using a client-hosted Java tool that automates the file creation, uploading, and validation process once customers reach a more steady state.

The 2010 Momentum Flowing into 2011

TEC: *What were the major highlights and messages from your recent user conference?*

DA: **2011 Ariba LIVE** was the most successful conference in its history. With 1,600 attendees, the event has evolved from 98 percent buyer attendees to a communal mix of procurement, finance, IT, and sales and marketing participants. This year's message: There's a new way of doing business—one that looks beyond the four walls of the enterprise and relies upon companies being able to collaborate more closely with their customers, suppliers, and other partners. And the only way to achieve such inter-enterprise alignment and efficiency is through a digitally connected community of trading partners. This network is vital not only to enabling greater productivity for existing processes but also for spawning new business processes that are simply impossible with traditional enterprise applications.

TEC: *How are your major system integrator (SI), independent software vendor (ISV), and other partnerships going?*

DA: Ariba's channel strategy is going very well. We have a large number of SI partners, VARs and other partnerships that are focused on strategic solutions or niche solutions for better commerce. During the last two years the interest in the Ariba Commerce Cloud has grown significantly and many companies are looking to take advantage of our cloud-based (and on-premise) solutions that help an organization Buy, Sell, and Manage Cash more effectively. You can find out more about these solutions and some of our partners on our Web site.

Our partnerships are global in nature and tend to be focused on specific go-to-market solutions or sectors. This focus provides Ariba with expanded sales coverage and the ability to expand the awareness of our brand. Additionally, we have minimal overlap with our direct sales teams. To support our expanded channel partners, Ariba has doubled its investment in our global channels and alliance teams. We see our channels becoming a key success factor for our business going forward.

TEC: *What were the major highlights in 2010, and what do you expect in 2011, regarding demand for your solutions across different territories and product lines?*

DA: 2010 was an exciting year with the introduction of the Ariba Commerce Cloud, allowing buyers and suppliers to view commerce in a more holistic manner. We also improved the ability to enable trading partners, and enhanced collaboration internally and externally along with improved integration.

In 2011 we announced our partnership with **NetSuite**. One important aspect of this partnership is that Ariba's network is source-system agnostic—enabling businesses of all sizes to transact business with their suppliers, customers, and trading partners. The Ariba network has been "open" since 2005, and customers that run multiple different ERP and supply chain management (SCM) applications are trading on the Ariba network today. Ariba's relationship with NetSuite is a continuation of this pursuit of enabling better commerce by bringing the same collaborative commerce capabilities to the NetSuite customer base. Additionally, in 2011 we have begun a more rapid release cadence to quickly deliver new functionality.

TEC: *Although Ariba has done well in 2010 and 2011, what issues are keeping you awake at night?*

DA: In our history as a company, we've always created technology ahead of the market. Over the past 10 years, we've really seen that the market is coming to where Ariba's vision and network are. We hope that companies continue to leverage business collaboration solutions to help create better business.

TEC: *What about Ariba's future, its functional scope and verticals?*

DA: Ariba is committed to making B2B commerce as easy as consumer commerce. That includes simplifying the buying, selling, and managing cash processes plus adding new trading partners and capabilities to the Ariba Network.

If anyone is interested in seeing customer feedback, analyst insights, or presentations from Ariba LIVE, check out [Ariba Exchange](#).

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